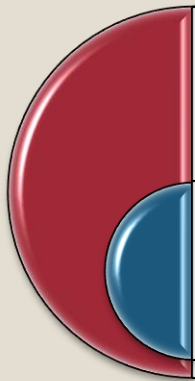


What You Should Know to Get Started



**Energy Education Forum
University of Montana**

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Fuel/Fuel/Fuel



- Where is it?
- How much is there?
- Who else wants it?
- What will be the delivered cost?
- How much control will I have over it?

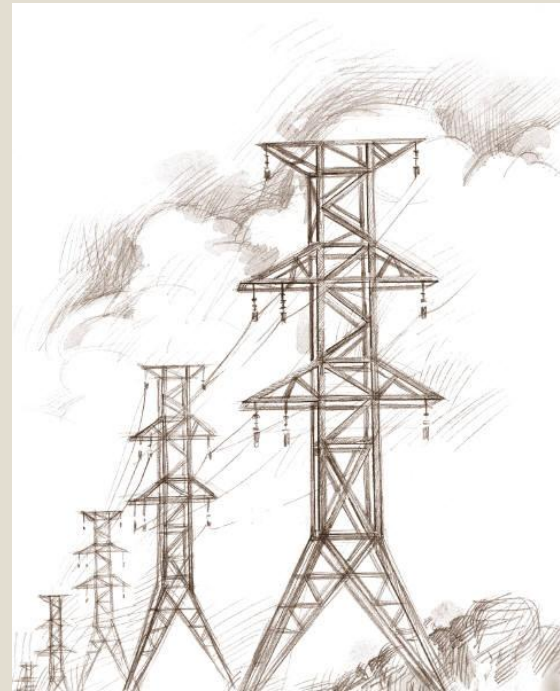
Might as well do fuel supply up front, because financial community and utilities will demand it!



What About A Good Place To Put It?



- Access to transmission
- Availability of water/wastewater/ash disposal
- Air quality considerations
 - Non-attainment
 - Class 1
 - Dispersion
- Site access/traffic



Advantages of a Good Thermal Host



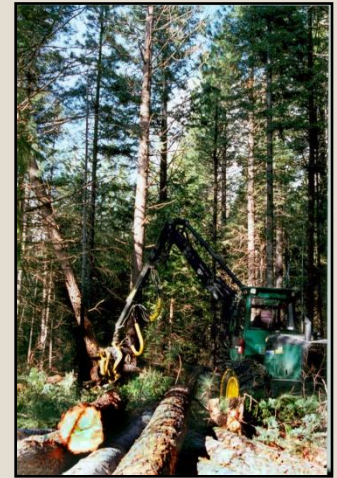
- Less permitting issues
 - Proper zoning/acceptable use
 - Current boiler has emissions
 - Proper access arrangements
 - Utilities already in place
- Typically better electrical access
- Some percentage of fuel on site
 - Fuel security is crucial
- Higher thermal efficiency a boost in qualifying for incentives



Making it the Right Size



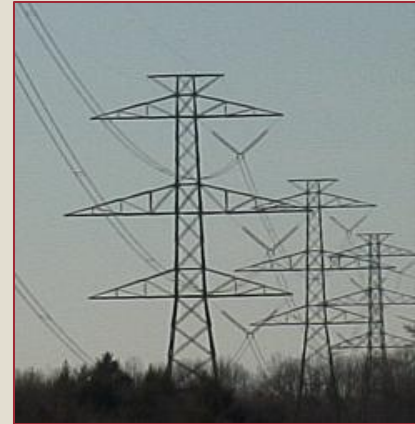
- Never forget that “All Biomass is Local”
- Bigger may not be better or cheaper
 - Incentive may levelize size advantage
 - Opposition is proportional to size
 - Fuel cost constantly goes up
- Satisfy steam host peak demand/expansion
- Never stress your fuel supply



Interconnection/Transmission Issues



- Is the local grid beefy enough to tie into?
- How far to a transmission line?
- Is there any room on the transmission line for me?
- How many utilities are going to have to touch my power?
 - Avoiding pancaking
 - Postage stamp rates/losses
 - Should I supply my own load?
 - ✦ A customer vs. a supplier



Are There Special Financing/Incentive Programs Available?




- New market tax credits
- Rural Utility Service financing
- State energy loan programs
- Enterprise zones
- Tax credits, grants, loans
- Accelerated depreciation
- Getting my front end expenses paid

From Above Information, Develop a Financial Model



- Allow option to try various financing schemes
- Add interest during construction, contingency, working capital
- Get credible capital budgetary cost estimate

 Monthly Operating Budget Current: November 2003									
	Corporations Combined		R-Tec Corp. Operating Unit		R-Tec Holding Public Unit				
	Cash	Financial	Cash	Financial	Cash	Financial			
Monthly Operating Budgets	191,537	142,754	72,787	186,998	28,839	31,761			
Interconnect Plant									
Plant Manager	1	4,950	4,950	4,950	4,950	100%	0	0	0%
Production Foreman	1	2,427	2,427	2,427	2,427	100%	0	0	0%
Chemist	1	2,574	2,574	2,574	2,574	100%	0	0	0%
Laser Operator	1	5,607	5,607	5,607	5,607	100%	0	0	0%
Flexing Technician	1	3,051	3,051	3,051	3,051	100%	0	0	0%
Engineer - Design	1	3,630	3,630	3,630	3,630	100%	0	0	0%
Engineering Assistant (part time)	1	953	953	953	953	100%	0	0	0%
Lease Payment - ODP		1,389	0	1,389	0	100%	0	0	0%
Rent		0	1,850	0	1,850	100%	0	0	0%
Sub Total Plant		24,581	25,042	24,581	25,042		0	0	
Machine Shop									
Lead Machinist	1	3,384	3,384	3,384	3,384	100%	0	0	0%
Lease Payment - CNC		0	0	0	0	100%	0	0	0%
Rent - allocated		1,142	1,142	1,142	1,142	100%	0	0	0%
Sub Total Machine Shop		4,526	4,526	4,526	4,526		0	0	
Selling, General & Admin									
Marketing & Sales	2	6,875	6,875	6,875	6,875	100%	0	0	0%
Marketing Budget	1	5,000	5,001	5,000	5,001	100%	0	0	0%
Receptionist/Administrative	1	2,431	2,431	1,823	1,823	75%	608	608	21%
President/CEO	1	5,500	5,500	2,750	2,750	50%	2,750	2,750	50%
CFO / Accounting	1	5,940	5,940	2,970	2,970	50%	2,970	2,970	50%
Engineering R&D	1	7,036	7,036	7,036	7,036	100%	0	0	0%
Sub Total SG&A		32,782	32,783	26,454	26,455		6,328	6,328	

Now, Can I Sell It For Enough To Support The Pro Forma?



- Do not rely on anecdotes!
- Know your local RPS
 - Level, timing, penalty for shortfall
 - Special niches (WA double REC's, MT Community Renewable)
 - Selling it bundled vs. unbundled
 - Look to aggregators, wholesalers
 - Look at other available renewable technologies
 - Best utility partner recognizes biomass characteristics, helps lower fuel risk

Remember



- Financial backers do not a viable project make
- Money will find good projects

